United Nations S/2001/505

Security Council

Distr.: General
18 May 2001

Original: English

Report of the Secretary-General pursuant to paragraph 5 of resolution 1330 (2000)

I. Introduction

1. The present report is submitted pursuant to paragraph 5 of Security Council resolution 1330 (2000) of 5 December 2000, in which I was requested to provide a comprehensive report to the Council 90 days after entry into force of the resolution on its implementation and again at least one week prior to the end of the 180-day period. It also describes developments in the implementation of the humanitarian programme in Iraq pursuant to resolution 986 (1995) since the period covered by my previous report, which was submitted to the Council on 2 March 2001 (S/2001/186). Unless stated otherwise, the cut-off date for the data contained in the present report is 30 April 2001.

II. Revenue generation

A. Oil production and sale of petroleum and petroleum products

2. Since the beginning of the phase IX on 6 December 2000, and as at 30 April 2001, the oil overseers and the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait, hereinafter referred to as the Committee, have reviewed and approved a total of 159 contracts (including 59 contracts from phase VIII extended into phase IX) involving purchasers from 44 countries (figures in parentheses indicate the number of contracts for that country): Algeria (1); Austria (1); Belarus (4); Brazil (1); Bulgaria (1); Canada (1); China (6); Cyprus (7); Egypt (1); France (9); Greece (2); India (1); Indonesia (2); Ireland (2); Italy (8); Jordan (4); Kenya (1); Lebanon (3); Liechtenstein (3); Malaysia (7); Namibia (2); Nigeria (1); Oman (1); Pakistan (5); Panama (1); Qatar (2); Romania (3); Russian Federation (21); Singapore (1); South Africa (2); Spain (3); Sudan (1); Switzerland (17); Syrian Arab Republic (2); Thailand (2); Tunisia (1); Turkey (6); Ukraine (4); United Arab Emirates (11); United Kingdom of Great Britain and Northern Ireland (3); United States of America (1); Venezuela (1); Viet Nam (1); and Yemen (2).

3. The total quantity of oil approved for export under those contracts amounts to approximately 490 million barrels, with an estimated value of 12.1 billion euros, or US$ 10.7 billion. However, the volume of oil contracted far exceeds the anticipated export volume of 290 million barrels under phase IX.

4. The estimated total revenue forecast for phase IX (before the deduction for pipeline fees) is 6.5 billion euros, or $5.7 billion, at current prices and rate of exchange. This is approximately 4.4 billion euros, or $4 billion, less than that of phase VIII. This is attributable in part to the decline in market prices over the period, but predominantly to the reduced rate of oil exports under the programme during the first part of phase IX, accounting for approximately 2.8 billion euros, or $2.6 billion, of the revenue that was not made available. Although the rate of export returned to a normal level of above 2 million barrels per day during the latter part of phase IX, the reduced rate of export at the beginning of the phase resulted in the loss of approximately 100 million barrels of crude oil.

5. As at 30 April 2001, 139 loadings totalling 216.7 million barrels, with an estimated value of 4,836

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million euros, or $4,293 million, at the current rate of exchange, have been completed.

6. During the course of phase IX, two irregularities in crude oil export operations were identified and reported by the oil overseers to the Security Council Committee established by resolution 661 (1990) (hereafter referred to as the Committee). Both cases involved a potential loss of revenue for the United Nations Iraq account owing to non-compliance by purchasers with the authorized discharge destination. The revenues concerned were, however, recovered and deposited into the United Nations Iraq account. In order to decrease the possibilities for such deviations to occur in the future, on 1 April 2001, the oil overseers initiated the issuance of notifications to ships' masters, advising them of the authorized export destination.

7. The Security Council, in paragraph 15 of its resolution 1330 (2000), requested me, inter alia, to make the necessary arrangements, subject to the approval of the Council, to allow funds up to 600 million euros deposited in the escrow account to be used for the cost of installation and maintenance, including training services, of the equipment and spare parts for the oil industry which had been funded in accordance with the provisions of resolution 986 (1995) and related resolutions. Accordingly, a team of experts was dispatched to Iraq from 18 March to 1 April 2001, and is currently finalizing its report. I expect to submit my recommendations, together with an executive summary of the report prepared by the experts, to the Council before the end of May. Copies of the full report will also be made available.

Oil exports from Iraq

8. The modus operandi for the inspection of oil exports originating from Iraq has remained unchanged. During the current phase, 14 independent inspection agents from Saybolt were on site, based in Mina al-Bakr and Zakho in Iraq and Ceyhan in Turkey.

Mina al-Bakr

9. Crude oil loadings have continued from the Mina al-Bakr oil platform under the supervision of the Saybolt monitoring team, consisting of six monitors. The total net volume of crude oil delivered to vessels was 101,329,265 barrels, as ascertained by reference to the vessels' calibration charts. This is equivalent to an average of 1,138,531 barrels per day.

No improvements in the living conditions, general safety arrangements or transportation facilities on Mina al-Bakr have been reported.

MS-1 metering station, Zakho

10. The transfer of crude oil from Iraq via the Iraq-Turkey pipeline to the Botas terminal in Ceyhan, Turkey, has continued under the supervision of the Saybolt monitoring team, which consists of three members. The volume of crude oil monitored through the metering banks at the MS-1 metering station at Zakho was 59,962,679 barrels. This is equivalent to an average of 673,738 barrels per day.

Botas terminal, Ceyhan

11. The receipt of crude oil from Iraq via the Iraq/Turkey pipeline at the Botas terminal has continued under the supervision of the Saybolt monitoring team, consisting of five members. The volume of crude oil monitored as flowing into the receiving storage tanks at the Botas terminal, ascertained by reference to storage tank calibration charts, was 59,965,486 barrels, equivalent to an average of 673,770 barrels per day. The total net volume of crude oil delivered to vessels was 66,415,249 barrels, as ascertained by reference to the vessels' calibration charts. This is equivalent to an average of 746,239 barrels per day.

Total crude oil exports

12. During the period under review, the total net volume of crude oil exported from Mina al-Bakr and Ceyhan, as monitored by Saybolt, was 167,744,514 barrels, or an average of 1,884,770 barrels per day. Of the total volume exported, 39.6 per cent was exported through Ceyhan and 60.4 per cent was exported through Mina al-Bakr.

B. United Nations accounts pertaining to the Iraq programme

13. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraph 8 (a) to (g) of Security Council resolution 986 (1995). As at 30 April 2001, 3,253.8 million euros had been deposited in the account for phase IX, as authorized under Council resolutions 1284 (1999) and 1330 (2000), bringing the total oil sale revenue since the inception of the programme to

$37,333.9 million and 4,833.4 million euros. The allocation of total oil revenue among the various funds and corresponding expenditures, as at 30 April, are reported in annex I to the present report; the number and value of letters of credit pertaining to oil proceeds and humanitarian supplies are reported in annex II.

14. In paragraph 9 of resolution 1330 (2000), the Security Council requested that I take the necessary steps to transfer the excess funds drawn from the account created pursuant to paragraph 8 (d) of resolution 986 (1995) for the purposes set out in paragraph 8 (a) of that resolution in order to increase the funds available for humanitarian purchases. In my previous report to the Council (S/2001/186, para. 25), I reported that a review to identify unencumbered funds under phase VIII of the programme was under way. However, as a result of the substantial decrease in the rate of oil proceeds during the first 90-day period of the current phase, no excess funds were available for redistribution towards the purchase of additional humanitarian supplies during the current reporting period. A further review will be conducted at the end of the current phase and any excess funds identified at that time will be made available for redistribution accordingly.

III. Processing and approval of applications for contracts

15. The Secretariat has regularly brought to the attention of the Government of Iraq the inordinate delays in the submissions of applications. Much to my regret, as at 14 May 2001, the Office of the Iraq Programme had not received a single application in the sectors of health, education, water and sanitation and oil spare parts and equipment under phase IX. While the value of submitted applications for the food basket has exceeded 85 per cent of the revised allocation, the average rate of submissions in other sectors of the distribution plan stands at some 19 per cent of the total allocations for these sectors. Applications submitted under the housing, electricity, transport/telecommunications, food handling and agriculture sectors account, respectively, only for 59.2 per cent, 38 per cent, 30.2 per cent, 27.3 per cent and 14.2 per cent of the revised sectoral allocations.

16. Meanwhile, the Office of the Iraq Programme continued to provide the Committee with regular comprehensive and analytical reports and data regarding applications processing, particularly on programme-related reasons for the lifting of holds placed on applications and the interrelationship among supplies required for given projects and activities. Through providing examples of the detailed specifications normally requested by the Secretariat and the holding missions, the Office of the Iraq Programme has continued to assist the suppliers in preparing the requested information in connection with incomplete and non-compliant applications and those which are placed on hold. The Office of the Iraq Programme, the United Nations Office of the Humanitarian Coordinator for Iraq and United Nations agencies and programmes have assisted the Iraqi institutions in developing the technical details of the contracted items that are currently on hold, or are likely to be subjected to holds. The annual briefing organized by the Contracts Processing Section of the Office of the Iraq Programme, on 10 April, provided a useful forum for over 200 representatives of some 65 Member States and guests from their respective business communities to further acquaint themselves with various aspects of the programme and to discuss all procedural and practical issues arising from commercial activities under the programme.

Processing of applications received under the ESB (59 per cent) account

17. As at 9 May 2001, over $19.5 billion and over 3 billion euros had been made available under the ESB (59 per cent) account since the start of the programme implementation, excluding the amount of $1.04 billion reimbursed from the ESC (13 per cent) account for supplies procured under the bulk purchase arrangements and delivered by the Government of Iraq to the three northern governorates. Furthermore, some $138 million was paid from the ESC (13 per cent) account for the cost of oil spare parts delivered to Iraq. An additional amount of $881 million has been earned from the interest on the funds in the Iraq account. Therefore, the total funds available for contracting by the Government of Iraq had reached some $24.24 billion, as at 9 May 2001. After deduction of the cost of supplies paid for on arrival in Iraq and the cost of approved applications, as at 9 May, $2.82 billion was still available for new contracts. It should be borne in mind that funds are segregated by the United Nations Treasury only when applications are approved or are "notified" by the Secretariat.

18. As at 14 May 2001, a total of 15,708 contract applications, with a total value of $27.032 billion, had been submitted under the ESB (59 per cent) account, under the distribution plans for phases I to IX. Out of the above total, 1,150 contract applications were subsequently declared null and void either by the contracting parties or as a result of indefinite blocks imposed by Committee members. A total of 12,373 applications, with a value of $21.79 billion, have been approved by the Committee established by resolution 661 (1990), or pursuant to paragraphs 17 and 18 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000), "notified" by the Secretariat. In addition, 1,699 applications, with a total value of $3.71 billion, were placed on hold in the Committee. Furthermore, 338 applications, valued at $1.11 billion, which were incomplete or did not comply with either the approved distribution plans or the procedures of the Committee, could not be processed by the Secretariat. Out of the above total, 138 applications, valued at $185 million, were transferred to "inactive" status owing to the lack of response by the suppliers on the required information, corrections or amendments. A further 128 applications, which had been received during the month of May, with a total value of $385 million, were being actively processed.

19. Since the inception of the programme, the rates of submission have varied greatly among different sectors, with the food handling and electricity sectors exceeding the sectoral allocations by 14 per cent and 7 per cent, respectively, and the oil spare parts, education, health, water/sanitation and transport/communications sectors having reached 71.9 per cent, 72.2 per cent, 79.7 per cent, 82.1 per cent and 86.7 per cent of the respective sectoral allocations.

20. Supplies at a total value of $11.1 billion, including oil spare parts and equipment worth over $700 million, had been delivered to Iraq as at 30 April 2001. Additional supplies valued at $10.36 billion, including some $800 million worth of oil spare parts and equipment, were in the production and delivery pipeline.

ESC (13 per cent) account

21. As at 9 May 2001, over $5.3 billion had been made available under the ESC (13 per cent) account since the beginning of programme implementation in the three northern governorates. This amount includes the funds subsequently reimbursed to the ESB (59 per cent) account for supplies of food, medicine and vaccines delivered by the Government of Iraq to the three northern governorates under the bulk procurement arrangements, as well as the funds charged to the ESC (13 per cent) account for the cost of oil spare parts delivered to Iraq.

22. The United Nations agencies and programmes involved in the implementation of the programme have submitted a total of 3,567 applications under the ESC (13 per cent) account, of which 174 applications were subsequently cancelled. A total of 3,334 applications, valued at $1.062 billion, have been approved by the Committee, or pursuant to paragraph 17 of resolution 1284 (1999) and paragraph 8 of resolution 1302 (2000), "notified" by the Secretariat. Two applications, with a total value of $273,495, have been placed on hold, and 45 applications, with a total value of $11.7 million, are currently under processing or evaluation, awaiting further clarifications.

23. I am concerned that there has not been much improvement in the rate of submission of applications by United Nations agencies and programmes, though the reasons for the difficulties encountered in that regard are different from those experienced under the ESB (59 per cent) account. The Executive Director of the Iraq Programme has taken up the matter with the executive heads of the agencies and programmes concerned in order to expedite the contracting of supplies and equipment for the three northern governorates.

Oil spare parts and equipment

24. Against a total of $3 billion authorized by the Security Council for the procurement of oil spare parts and equipment under phases IV to IX, the Office of the Iraq Programme has received a total of 3,506 applications valued at some $2.158 billion. Out of that total, 2,679 applications valued at over $1.52 billion have been approved, including 221 applications valued at $161 million, which were approved by the group of oil experts of the Office of the Iraq Programme pursuant to paragraph 18 of resolution 1284 (1999). A total of 545 applications valued at $442 million have been placed on hold, while 103 incomplete or non-compliant applications, valued at $81.5 million, remained idle pending further action, mostly by the suppliers. Forty-seven applications valued at $92 million, which were submitted in May, were actively being processed.

25. With all the efforts made for the provision of funding for oil spare parts and equipment, I can only reiterate my regret expressed in previous reports that there has been no major improvement in the submission of oil spare parts applications. Some five months after the end of phase VIII, the total value of applications received by the Secretariat for oil spare parts and equipment under that phase remains at about one third the authorized allocation. This situation is further compounded by the fact that, with only about three weeks remaining to the end of phase IX, not a single application had been received by the Secretariat under the current phase.

26. I should like to appeal to the Government of Iraq to ensure the submission of applications concerned as expeditiously as possible. I should also like to appeal to the Committee to approve the applications concerned and also to facilitate the implementation of paragraph 18 of resolution 1284 (1999), in order to ensure the attainment of its intended objective. Although the project-based list of oil spare parts and equipment for phase IX was submitted by the Secretariat to the Committee on 20 February, with only three weeks before the end of the phase, the list had yet to be approved.

27. The value of oil spare parts and equipment approved under earlier phases and delivered to Iraq reached a total value of over $700 million as at 30 April 2001, with additional supplies valued at about $800 million still in the production and delivery pipeline.

Incomplete and/or non-compliant applications under the ESB (59 per cent) account

28. I have been concerned over the large volume of incomplete and/or non-compliant applications submitted to the Secretariat as well as the generally slow rate of responses from the suppliers to the requests for additional information, clarifications and/or corrections. The Executive Director of the Iraq Programme brought to the attention of the Security Council Committee, the permanent representatives of 27 Member States concerned, as well as to the Permanent Representative of Iraq to the United Nations the details of applications on which the Secretariat had not received the required responses in excess of six months. The Executive Director advised all concerned that applications for which the required information had not been submitted in excess of 60 days would be declared "inactive", with no further action to be taken by the Office of the Iraq Programme. I am pleased to note that the letters expedited responses from the suppliers, leading to some $232 million worth of applications being circulated to the Committee or notified by the Secretariat. Accordingly, the value of the applications that had remained idle for an average period of over six months decreased from $417 million in mid-March to $185 million in mid-May.

Applications placed on hold

29. I am gravely concerned that since my previous report in early March, the total value of holds has increased from $3.1 billion to $3.7 billion, as at 14 May 2001, reaching the level of 17.8 per cent of the value of all applications circulated to the Committee.

30. I welcome the Committee's decision to start a fresh round of technical meetings in order to be briefed, on each sector, by the relevant United Nations agencies and programmes, as well as to review the holds placed on applications in those sectors. On 4 May 2001, the Committee was briefed on the state of the telecommunications sub-sector in Iraq and on issues pertaining to holds placed on applications submitted under the sub-sector, which is the highest relative percentage of holds in any sector. The next technical briefing, scheduled for 8 June, will be on the agriculture sector.

Implementation of paragraph 25 of resolution 1284 (1999)

31. Pursuant to paragraph 25 of resolution 1284 (1999), the Secretariat continued to notify the Committee of all applications containing items subject to the provisions of the export/import mechanism established by resolution 1051 (1996). The additional information obtained by the Secretariat for the above determination is shared with the Committee with a view to reducing the number of holds placed on applications for lack of technical specifications.

32. As at 14 May, there were 218 applications valued at $462 million, on which at least one member of the Committee disagreed with the determination of Secretariat experts that they had not identified in those applications any item included in the "1051-list". Although the above figure indicates a 56 per cent increase during the reporting period, there has been an increase of only about 3 per cent in the value of the

applications concerned. Such disagreements are being addressed by the Office of the Iraq Programme through facilitating the exchange of technical information between the experts of Secretariat and the Committee members concerned on the basis of the informal points of understanding reached at a meeting held on 23 January, with a view to improving the flow of information, prioritization of reviews and greater utilization of the United Nations observation mechanism as a condition for approving applications containing items of potential "dual use".

33. As requested in paragraph 19 of resolution 1330 (2001), the Executive Chairman of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) and the Director-General of the International Atomic Energy Agency (IAEA) will complete by the end of this period the revision and updating of the lists of items and technologies to which the import/export mechanism approved by resolution 1051 (1996) applies.

Approvals and/or releases on the condition of monitoring and observation

34. The further integration and consolidation of observation and monitoring resources of the Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq, the United Nations agencies and programmes and the independent inspection agents, Cotecna and Saybolt, have significantly helped in the approval and/or release from hold by the Committee of 676 applications valued at $1.316 billion, on the condition that special targeted monitoring and observation is carried out. I strongly urge the Committee to place greater confidence in the United Nations observation and monitoring system in order to approve or release from hold the applications containing items that are on the list provided for under resolution 1051 (1996). The Office of the Iraq Programme has established a special database for tracking items approved or released from hold on condition of targeted end-use observation/monitoring, and is working on improving access to it by the Committee members.

Notifications and approvals by the Secretariat

35. Pursuant to the relevant provisions of resolutions 1284 (1999) and 1302 (2000), the Secretariat notified the Committee that 2,173 applications, with a total value of $4.69 billion, were eligible for payment, including 221 applications for oil spare parts and equipment worth $161 million, which were approved by the group of oil experts. The above total amount represents an increase of almost 50 per cent since 28 February 2001, which is mainly attributable to the early submission of the food applications, and partly to the approval by the Committee, in February, of the lists of additional items in the agriculture, education, food and food-handling, health, and water and sanitation sectors, pursuant to paragraph 11 of resolution 1330 (2000). The categorized lists of items for the housing and electricity sectors were submitted to the Committee in February, as requested in paragraph 10 of resolution 1330 (2000). While the housing sector list was revised and approved by the Committee on 27 February, the electricity sector list still remains on hold.

Letters of credit

36. Just as I am gravely concerned over the unacceptably high level of holds placed on applications, I am very much concerned about the delays experienced with the Central Bank of Iraq in taking the necessary measures to expedite the issuance of letters of credit. According to the records of the United Nations Treasury, as at 14 May, BNP-Paribas had issued a total of approximately $20.190 billion worth of letters of credit and had paid the suppliers a total amount of approximately $11.653 billion for the supplies delivered to Iraq. With some 145 letters of credit actively being processed at present, there was no major backlog in the issuance of letters of credit by BNP-Paribas. However, as at 14 May, there was a total of 717 already approved applications valued at $1.151 billion, for which BNP-Paribas had not received requests from the Central Bank of Iraq to issue letters of credit. The above figures represent an increase of over 31 per cent in the number, and over 34 per cent in the value of applications in that category as at 28 February 2001.

37. The Government of Iraq has been kept fully up to date on this unsatisfactory situation and has been repeatedly reminded of the need for a determined effort to address this persistent problem. On several occasions the Central Bank of Iraq has been requested to expedite its instructions regarding the opening of letters of credit soon after the approval of applications and to reduce the time it takes to respond to the requests for clarification by BNP-Paribas. In this connection, I welcome the ongoing visit to New York

of a representative of the Central Bank of Iraq to expedite activities related to banking arrangements and to resolve some pending matters. I do wish to express the hope, however, that the current visit of the representative of the Central Bank of Iraq constitutes a first step towards implementing my repeated recommendation that the Government of Iraq deploy to New York a representative of the Central Bank of Iraq, at the appropriate level, as envisaged in paragraph 13 of the Memorandum of Understanding between the United Nations Secretariat and the Government of Iraq (S/1996/356).

Commercial protection

38. There is no sign of a decrease in the estimated number of 1,500 to 2,000 disputes arising annually from commercial malpractice by the suppliers of goods to Iraq under the programme. This is borne out by the comparable number of applications submitted for the export of free-of-charge goods as compensation, warranty or replacement items in return for incomplete shipments and defective or non-compliant items, which provides an indication of the magnitude of the disputed cases, which the contracting parties appear to have resolved through bilateral negotiations. Despite efforts by the Government of Iraq, including measures to avoid intermediaries and delinquent suppliers and to engage only reliable producers and manufacturers, the number of cases where supplies are not delivered in full or do not comply with contractual specifications will increase further, as the volume, variety and complexity of supplies delivered to Iraq continue to increase.

39. As I stated in my most recent report (S/2001/186, para. 60), the useful unilateral measures taken by the Government of Iraq to reduce the number of commercial disputes alone are not a remedy for such cases where a one-time supplier defies its contractual responsibilities and takes undue advantage of the existing vacuum in the commercial safeguards under the programme. Furthermore, bilateral resolution of disputes is effective and useful only if both parties act in good faith in discharging their contractual obligations. Regrettably, this has not always been the case with regard to some suppliers, as evidenced, inter alia, by the large number of unresolved letters of discrepancy filed in connection with the shipments of oil spare parts.

40. Accordingly, it is essential to provide legitimate commercial protection to the Iraqi buyers. I regret that, after the much delayed resumption of discussions on the subject in February 2001, these informal discussions of the Committee on the options submitted by the Office of the Iraq Programme in July 1999, concerning payment clauses for the ESB (59 per cent) account, have been suspended once again. I reiterate my appeal to the Committee to accord the highest priority to this matter and to take the measures necessary to protect the ESB (59 per cent) account against commercial malpractice or occasional fraudulent practices.

IV. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

41. The operation of the United Nations independent inspection agent, Cotecna Inspection S.A., has continued at the border entry points to Iraq at Al-Waleed, Trebil, Umm Qasr and Zakho, with the authentication of the arrival in Iraq of supplies procured under the ESB (59 per cent) and ESC (13 per cent) accounts. The sampling, inspection and testing procedures have been further streamlined and the process of authentication and reporting further expedited through the stationing of an additional five staff in the field and the more frequent electronic transmission of data to the Office of the Iraq Programme.

42. There has been some improvement in the logistics and handling conditions in the port of Umm Qasr, where there was considerable congestion as a result of late action by some Iraqi buyers to take delivery of their respective goods and to remove them from the port area, with the consequent delays in authenticating some of the discharged goods. The Office of the Iraq Programme has informed the Government of Iraq of the complaints lodged by many suppliers regarding the ensuing delays in the authentication of and payment for the discharged goods and has urged that the buyers concerned take urgent measures to address those delays. As part of normal monitoring of the agent's compliance and with a view to resolving the recurrent problems in carrying out the inspection mandate, particularly at the port of Umm Qasr, the

authentications expert of the Office of the Iraq Programme is currently touring the four authorized entry points in Iraq.

43. The electronic certification of authentications, which was implemented in February by the Office of the Iraq Programme and the United Nations Treasury, has reduced considerably the time and resources required for finalizing the payment process.

B. Monitoring of oil spare parts and equipment

44. During the period under review, 292 shipments of oil spare parts and equipment were received, of which supplies covered by 327 contracts were confirmed as having been fully delivered and monitored. An additional 72 partial deliveries had been made. The value of supplies delivered during the reporting period is $137.5 million. The total value of deliveries made since phase IV is $701.1 million. There have been no deliveries of oil spare parts and equipment under phase IX.

45. The oil spare parts and equipment monitoring team carried out 782 site visits throughout Iraq. The team is based in Baghdad and consists of six members plus an office manager. Members routinely visit the southern and northern parts of Iraq once a week, covering various warehouses in each area.

46. Owing to the increase in the arrival of oil spare parts and equipment, each monitoring visit to the southern part of the country now takes at least four days to complete, an increase of one day since the period covered in my previous report. Warehouses in the vicinity of Baghdad are covered by the monitors from the Baghdad office and require four days per visit, representing an increase of three days since the previous reporting period.

47. The number of storage locations requiring visits by the monitors has also increased, as original warehouses have reached storage capacity and spare parts and equipment are being increasingly stored on or near end-use sites. The fact that these sites are often located at some distance from one another has placed additional demands on the monitoring team and contributed to the longer time required for monitoring visits. Furthermore, there has also been a greater number of deliveries that require special monitoring and/or end-use or end-user monitoring.

48. In view of the above, consideration is being given to the need for an incremental increase in the number of monitors corresponding to the increase in the rate of oil spare parts and equipment, and the required monitoring activities. Based on current estimates, it is envisaged that an immediate increase of two monitors is necessary. Another four monitors may be required as the rate of arrival of oil spare parts and equipment increases. Further monitors may be required depending on the frequency of follow-up visits under the end-user monitoring scheme.

49. The monitoring team continues to undertake the special operating procedures instituted by the Office of the Iraq Programme with regard to the specialized monitoring of certain contracts. Examples of this include the inspection of ultrasonic equipment imported under a service contract for the Northern Oil Company. An inspection of the equipment in question confirmed that it had arrived and was operating on site. All equipment was tagged with a unique reference number (URN) seal for re-export upon completion of the contract, as per the guidelines for special monitoring procedures. Upon the re-export of such equipment from Iraq, the independent inspection agents, Coteena, found that all URN seals were intact.

C. United Nations observation mechanism

50. As indicated in my previous report (S/2001/186, para. 70), pursuant to paragraph 3 of resolution 1330 (2000), the recruitment of the full complement of 158 international observers has been completed. In order to meet the needs and concerns of the Security Council and its Committee established by resolution 661 (1990), generalists currently occupying observer posts are gradually being replaced by specialists, with the requisite technical qualifications and experience. The specialist observers from all tiers are pooled in sectoral working groups, which plan, deploy and report as single entities. In addition to tracking and observing the distribution of supplies, the specialized observers have conducted an increased number of assessments on the effectiveness of programme implementation and its impact on the humanitarian situation, including the impact on programme implementation by holds placed on applications, and the adequacy of available resources. A number of these reports have led to an enhanced understanding by members of the Committee of sectoral issues and prioritization by the Committee

in the approval of applications for contracts reflecting the most pressing civilian needs of the Iraqi population.

51. One of the major tasks performed by the sectoral working groups during the reporting period was the updating of existing "green lists" and submission of the proposal for new sectoral "green lists" for fast-track approval of contract applications pursuant to paragraphs 10 and 11 of resolution 1330 (2000). The sectoral working groups have also ensured the observation of items approved by the Security Council Committee on the condition of "end-use observation", which has helped in expediting the approval or release from hold of 676 applications (with a total value of $1,316 billion), which constitutes an increase of about 33 per cent since the last reporting period. In this respect, despite occasional difficulties encountered, relating particularly to the collection of statistical data, I am satisfied with the cooperation received from the Government of Iraq.

52. The distribution of observations by sector and type as conducted by the sectoral working groups during the reporting period is reflected in annex III to the present report.

V. Programme implementation

A. Sectoral focus

Food

53. As at 14 May 2001, a total of 278 applications for contracts valued at over $1.1 billion had been approved against the allocated $1,275 million for food purchases under the distribution plan for phase IX. Total programme stocks at the end of April 2001 stood at 883,040 metric tons. However, stocks of pulses and dried whole milk were very low throughout the period under review owing to delayed and irregular arrivals. Also, as a result of the irregular arrival of wheat under the programme, the Government of Iraq decided to supplement 25 per cent of the requirements from its national stock. However, notwithstanding sufficient stocks of vegetable oil, toilet soap, tea, infant formula and detergent, the Government continued the practice of substituting rations with its national stock as part of its combined management of programme and non-programme stocks. The imported programme and non-programme stocks are generally of the same quality and come from parallel procurement of commodities.

54. The food ration distributed during the reporting period provided an average of 2,209 kilocalories and 46.33 grams of protein per person day, which corresponds to 89 per cent and 77 per cent, respectively, of the 2,472 kcal and 60.2g of protein per person day contained in the approved distribution plan for phase IX (S/2000/733). Observation spot-checks revealed that 100 per cent of the food agents in the centre/south of Iraq had received their allocations on time, but only 92.5 per cent had received them in full. This was attributed to low stocks and disruptions in the commodity pipeline for salt, white beans and weaning cereals.

55. The majority of households observed reported that their monthly ration lasted less than 30 days and a number of households admitted that they bartered part of the commodities. However, during the period under review, the full approved ration of 2,472 kcal was distributed only in December 2000, which also coincided with the Muslim holy month of Ramadan.

56. Results of observations indicated that beneficiaries would like to have an increase in ration sizes and the addition of other commodities such as tomato paste, chicken, meat and eggs into the food basket. This underscores a suggestion made by the United Nations during the discussions held on the distribution plan for phase IX for the qualitative enhancement of the food basket, with the possible introduction of a coupon system to enable sections of the population to purchase these commodities from among available farm products marketed through mobile government stores. However, in the absence of a cash component and a local purchase system in the programme, this could not be implemented in the context of the distribution plan.

57. In the three northern governorates of Dahuk, Erbil and Sulaymaniyah, the rate of commodity arrivals is higher than the rate at which they are distributed, creating pressure on storage capacities. This followed similar critical storage constraints in the south and centre of Iraq, caused by a surge in the arrival of some food commodities like rice. The results of a household survey/assessment of the adequacy of rations conducted in the three northern governorates are currently being analysed.

Transport and food handling

58. Assessments by United Nations observers have highlighted the problems facing this sector, particularly

the need for massive rehabilitation of the existing infrastructure. Observers have conducted a number of special studies to assess the status of the port, railways, roads, flour mills and other facilities within the sector.

59. Observation and assessments of the railway facilities confirmed the unsafe conditions and insufficient capacity to meet transportation demands for both humanitarian supplies and passengers. However, some applications for contracts, including rehabilitation equipment and materials for immediate operational requirements, and a $50 million application for locomotives, were recently released from hold. While tangible achievements have been realized, the long lead time between contracting and delivery of material constrains the operational capacity of the railways.

60. Road transport continues to experience increasing demands as a direct result of the greater volume of humanitarian cargo arriving in the country. The state of deterioration of road transport vehicles has been exacerbating demand on the sector. The very poor state of the railway system also implies that the majority of humanitarian goods and passengers must be transported by road. Consequently, there is an increased demand for various types of vehicles, tyres, batteries and spare parts. Owing to the deteriorating condition of the public buses and the reduction in their number, the Iraq Transportation Company, prior to the programme, had been forced to reduce its route coverage by over 50 per cent in spite of an increased demand on both intra-city and inter-city routes. While 6,939 vehicles have already been approved and 993 are already in use in Iraq, the further release from hold of applications for 400 buses, 1,145 trucks and other fleet support vehicles would further enhance the sub-sector's capacity for both passenger and cargo transport.

61. An impact assessment and observation of the port of Umm Qasr also revealed that limited draught stemming from an absence of dredgers and the presence of wrecks in the port and channels is one of the many major constraints in the port's operational capacity. The wrecks continue to pose safety hazards to vessels calling at the port and the reduced number of usable berths is impeding the timely handling of cargo as a result of port congestion. The urgent release of a number of major applications for contracts valued at $21 million for equipment and services to carry out dredging, wreck removal and other ancillary services is essential to improve the port's operation.

62. An assessment of the operational requirements of silos and mills for ensuring the adequate and efficient supply of wheat flour to the population revealed that the Umm Qasr port, which should handle all bulk supplies, actually handles only 85 per cent of the country's grain imports. The remaining 15 per cent has to be bagged and brought in through other more costly entry points owing to the limited discharge capacity at the port. The assessment further showed that the other 21 silos used by the programme in the centre/south are on average 25 years old and operate below design capacity owing to a lack of spare parts and essential equipment. Construction of additional silos has begun, including the construction of a new silo complex in Khan Dari. The assessment reports also confirm the existence of inadequate equipment and materials in the food quality control laboratories for performing normal quality control tests. Of greatest concern are the lack of reagents and the state of the laboratory equipment, allowing only basic food quality tests, which are subject to inaccuracies. Once more, the early consideration and approval of 23 applications for contracts worth $7.8 million, currently on hold, would be necessary to improve this situation.

63. In addition, an assessment by United Nations observers indicated that electrical generators worth $197 million have arrived under the programme, of which 90 per cent have been installed in food processing and handling facilities while the remaining 10 per cent, mostly smaller, 2.5 kV to 7.5 kV generators, are being sold to the general public at subsidized rates to meet domestic power shortages. United Nations observation of these smaller generators is carried out through the food agents where recipients are also registered.

Health

64. In spite of some notable improvements in the health sector relative to the situation prior to the commencement of the programme, shortages of drugs and hospital equipment are still being reported. This is attributable to late and inadequate contracting in respect of drugs and, until recently, vaccines, as well as holds placed on applications in respect of hospital equipment such as autoclaves. About 98 per cent of the applications placed on hold during the period under review are for hospital equipment. It is a major concern to note, however, that not a single application for the health sector had been submitted under phase IX of the

programme, despite indications by the Government to the United Nations Humanitarian Coordinator for Iraq that it had signed many contracts. Unless the Government informs the United Nations about the number of contracts signed in advance of the submission of the relevant applications by the suppliers to the Office of the Iraq Programme, it is difficult for the Office to determine the reasons for the delays in the submission of applications. The results of observation have showed that only 30 per cent of the essential drugs at hospitals were received in adequate quantities. Some essential medicines like aminophylline (a bronchodilatory) injections and sodium valproate (an anti-epileptic) and basic medical equipment, laboratory reagents and hospital supplies are still in short supply owing to either late submission of contracts or holds on applications or erratic arrivals. However, chronic drugs to treat chronic diseases are now generally available in the country.

65. The stock of human vaccines in the country falls short of annual requirements. Only 3.5 million doses for measles (about an eight months' supply) and about 1 million of diphteria-pertussin-tetanus (DPT) doses (a two months' supply) were available as at 30 April 2001. The present stock of oral polio vaccine (OPV), bacillus of calmette and guerin for tuberculosis and bladder cancer (BCG), tetanus, and paediatric hepatitis-B vaccines would last for only the next six months. Nevertheless, three successful rounds of national immunization days for polio eradication were conducted, with 95 per cent coverage.

66. During the reporting period, United Nations observers carried out six observation visits to Samarra Drug Industries (SDI) plants. Findings from these visits showed that the plants have started benefiting from programme inputs. The plants recently received laboratory equipment, three production lines and 30 manual visual units for ampoules. However, the laboratory equipment is yet to be installed. All production lines have been installed, but are not yet operational owing to the unavailability of some complementary equipment, such as autoclaves, heating jackets and compounding vessels, which are on hold. In addition, some machines and equipment at the factories are old and due for replacement. As at 30 April 2001, out of $148 million worth of applications submitted for SDI, only $56 million worth of items (37.8 per cent) had arrived. Forty applications with a value of $39 million are at present on hold. The current output is less than 7 per cent of needs and urgent rehabilitation is overdue.

67. The distribution of items from Kimadia to governorate warehouses has improved as a result of the arrival of programme trucks, ambulances and refrigerated vehicles. So far, of 1,200 ambulances approved, 800 have arrived in the country. In addition, another 292 of a total of 1,424 approved vehicles for the transportation of medical goods have also arrived in the country. However, the ambulances were delivered without radios, which had to be removed from contracts as a condition for the lifting of holds on the applications. In addition, 209 refrigerated trucks ordered for the Ministry of Health and SDI are still on hold.

68. The problem of inadequate systems for the management and monitoring of voluminous supplies of programme data at Kimadia has persisted. Three applications for computers and accessories valued at $7.8 million, which have remained on hold for almost a year, need to be released.

69. In the three northern governorates, renovation and equipping of facilities have continued, as well as the training of health care professionals. The World Health Organization (WHO) completed renovation of 12 medical facilities, while 43 other projects are ongoing. WHO has replaced old and obsolete equipment with a view to providing improved diagnostic and medical services. Whereas most essential medicines and medical supplies are available in sufficient quantities, serious shortages have been observed in certain chemicals and reagents such as growth media, which are on hold. WHO also conducted nine different training courses to improve the skills of various categories of health personnel. WHO is also strengthening the capacity of local health authorities to improve decision-making with regard to the prioritization of health programme activities.

70. Under the programme, three rounds of polio vaccination were conducted, reaching 95 per cent of the 0.6 million children targeted. Training in safe delivery practices was provided to 182 traditional birth attendants and to 45 professionals in early detection of childhood disabilities.

Nutrition

71. Roughly 5,000 metric tons of high-protein biscuits were distributed equitably to targeted

malnourished children under five years of age (2.16 million) and pregnant/lactating women (550,000) during the period under review. Available supplies of high-protein biscuits reportedly were adequate to cover the requirement of these targeted beneficiaries. The major problems of delays in contracting and arrival of nutrition supplies, inadequate transportation and storage facilities and the lack of incentives for community child care units programme volunteers have continued to adversely affect implementation of the targeted nutrition programme. In all 15 governorates in the centre/south, transportation of nutrition supplies is effected in vehicles hired by the volunteers, 97 per cent of whom are yet to be reimbursed owing to lack of local cash to support the programme. The problem could be reduced if an application for 189 trucks, submitted under the distribution plan for phase VII, could be released from hold.

72. While still well below the target of 3,000 that had been set for phase IX, the number of functional community child care units increased from 2,357 to 2,418. The expansion was adversely affected by the irregular supplies of high-protein biscuits, delays in reimbursement of transportation costs and lack of incentives for volunteers. The United Nations Children's Fund (UNICEF) continues to provide training and material support for the programme.

73. In line with the discussions held during the finalization of the distribution plan for phase VIII, the palatability of the high-protein biscuits for the beneficiaries was assessed by the health authorities in collaboration with United Nations observers. At a meeting with the United Nations Humanitarian Coordinator for Iraq, the Minister of Health acknowledged that the acceptability of high-protein biscuits by the target group was almost 100 per cent. The Ministry has therefore indicated its renewed interest in importing more high-protein biscuits. Also, imported therapeutic milk is currently undergoing quality control. It is recommended that the Government expedite the quality control of the imported therapeutic milk and also take the necessary measures to contract urgently the supplies required in adequate quantities in order to address the nutritional needs of the beneficiaries concerned.

74. In the three northern governorates, 5,961 metric tons of assorted food commodities were distributed to a monthly average of 256,270 beneficiaries through the supplementary feeding programme of the World Food Programme (WFP). The supplementary feeding project for malnourished children has been redesigned to include advocacy of proper feeding practices to achieve a better nutritional status for the malnourished children and their siblings. This will be implemented in collaboration with the local Women's Union. The Food and Agriculture Organization of the United Nations (FAO) is assisting WFP in a new small-ruminants programme intended to enhance the diet and provide income generation for about 10,000 female-headed households in 788 villages.

75. UNICEF initiated the provision of nutritional supplements, reaching 60,000 of a total of 80,000 targeted pregnant and lactating women, through 95 antenatal care units in three northern governorates. UNICEF also established an additional 18 growth monitoring units and 30 community child care units, raising the totals to 400 and 269 respectively. The system, with a current capacity to screen approximately 280,000 children, found that 23,500 were moderately or severely malnourished. Household surveys conducted in November 2000 indicated that 16.2 per cent of children under five years of age suffered from chronic malnutrition, 9.7 per cent were underweight and 3.1 per cent were acutely malnourished, which constituted an improvement over rates of 30.3 per cent, 15.9 per cent and 3.1 per cent, respectively, in November 1997.

Water and sanitation

76. Data available during the period highlighted variations in the water and sanitation situation between rural and urban areas in the country. According to preliminary results from a national survey conducted in 1999/2000 by UNICEF/CARE and released in December 2000, access to potable water in rural areas improved from 41 per cent in 1997 to 46 per cent in 2000, while for urban areas it decreased from 94 per cent in 1997 to 92.4 per cent in 1999/2000. Also, United Nations assessment results from 40 per cent of the 218 existing water treatment plants indicated a 10 per cent average increase in their overall production efficiency. There has also been an overall reduction of 52 per cent and 46 per cent, respectively, in failed samples of bacteriological and chlorine tests for water, indicating a marked improvement in water quality.

77. Supplies delivered so far have arrested a further deterioration of the existing water and sanitation systems. For instance, in Baghdad City, the garbage

disposal situation has improved with the provision of garbage disposal vehicles under the programme. In addition, the recent arrival of construction equipment and transport vehicles, previously on hold, has facilitated the installation of pipes. To date, 1,423 kilometres of pipe of different sizes has arrived in the country, of which 862 km has been distributed. Installation of these pipes commenced with the recent arrival of construction equipment, and 206 km of pipe has already been installed. The rest of the pipe forms very conspicuous heaps in streets and in warehouse premises, awaiting installation. The local water authorities have recently begun ordering the required equipment for rehabilitating abandoned water and sewerage treatment plants. However, an assessment of 74 of the 135 water-boosting stations showed that 57 per cent were operating below half of their expected capacity, as a result of power outages and an availability of standby generators to support only 50 per cent of the boosting stations.

78. During the period under review, 2,499 metric tons of chlorine gas arrived. Stocks in the Baghdad Water and Sanitation Authority currently stand at 317 metric tons, and are expected to last for almost two months, at a consumption rate of approximately 6 metric tons per day. Stocks at the General Establishment of Water and Sewerage stand at 2,694 metric tons, and are expected to last for almost 10 months, at a consumption rate of approximately 9 metric tons per day. The increasing arrivals of chlorine cylinders without the availability of adequate safety equipment, particularly protective masks with appropriate filters at sites, are causing major safety concerns for implementing and observation personnel. In this regard, the release of protective masks, forklifts and computers from hold will enhance chlorine handling and record-keeping.

79. In the three northern governorates, a recent household survey showed improved access to safe water (93 per cent) and sanitation (92 per cent) at the end of 2000. However, there are significant differences between urban (96 per cent) and rural (83 per cent) areas for access to safe water, while access to adequate sanitation is reported to be 98 per cent for urban and 83 per cent for rural communities. WHO reports, however, that bacterial contamination remains a concern as a result of network corrosion, occasional failure to carry out chlorination (predominantly in semi-urban areas and villages) and illegal connections (particularly in cities and collective towns). Holds imposed by the Committee on bulk-purchased growth media for bacteriological water quality analysis are causing considerable difficulties and concern. The major urban centres of Erbil, Dahuk, and Sulaymaniyah are serviced by old and inadequate water supply, storm drainage, and sewerage treatment systems which in some cases require major overhaul, upgrading, extension or replacement. In this regard, arrangements are on hand for a series of feasibility studies for four large projects in the three urban centres.

Agriculture

80. As at 14 May 2001, cumulative applications submitted under the sector amounted to $2.52 billion, an increase of 55 per cent in comparison to 1 November 2000. Similarly, the value of approved applications increased by 50 per cent. In tandem with this, however, the value of holds increased by 129 per cent. Items on hold, worth $487 million, include essential agricultural production items such as pesticides, sprayers, veterinary vaccines and equipment for irrigation systems. To date, items worth 72 per cent of cumulative arrivals have been distributed.

81. The results of sectoral impact assessments for irrigation pumping stations, veterinary cold chain, winter vegetables and bee-keeping, indicated in my last report (S/2001/186, paras. 102-105) are now available. They show an improvement in a number of areas as a result of programme inputs. In six governorates, winter vegetable production increased by 27 per cent. Similarly, in 10 governorates (Diyala, Baghdad, Babylon, Wasit, Basrah, Najaf, Anbar, Ninevah, Salayaldeen and Tameem), the number of bee-keepers increased by 31 per cent and the number of beehives by 153 per cent. However, increases in insect pests and diseases (65 per cent), predators (85 per cent), inadequacies and poor quality of procured inputs and the lack of updated technical knowledge of farmers reduced projected honey production by 29 per cent per hive. An assessment of the veterinary cold chain showed that the use of generators, refrigerators and cold trucks, provided under the programme, enhanced the storage and transportation of animal vaccines and heat-sensitive medicines. An irrigation assessment completed in March 2001 in three governorates (Baghdad, Najaf and Anbar) showed a 22 per cent increase in the irrigated areas, and a 37 per cent increase in water-pumping capacity in four governorates (Salayaldeen, Diyala, Baghdad and

Kerbala) as a result of the installation of centrifugal water pumps over the past two years. Also, the delivery of programme excavators contributed to more than 30 per cent of the total 1,534-km length of canals excavated in four southern governorates (Muthana, Misan, Thiq Qar and Basrah) during the 1999/2000 season. However, long and cumbersome administrative procedures allowed only about 31 per cent of the spare parts already received in the country to be delivered. Available programme tractors represented only 29 per cent of current needs.

82. An assessment of the veterinary diagnostic laboratories in the 15 governorates of the centre/south indicated that all three central laboratories were operating at a minimal level, while only 27 per cent of the governorate laboratories and 2 per cent of the district laboratories were operational, owing to a severe lack of equipment, reagents and diagnostic kits. All the facilities experience great difficulties in collecting, transporting and processing test specimens. The release from hold of diagnostic kits and other required equipment would enhance performance in the sub-sector.

83. It is worth noting that despite the spread of foot-and-mouth disease in some of the neighbouring States, no case was reported in Iraq during the period under review. This contrasts with a similar situation in 1998-1999 when Iraq suffered tremendous livestock losses owing to the spread of the disease. The Government of Iraq in the south and centre, and FAO in the northern governorates, continued to plan, coordinate and undertake preventive measures, including a foot-and-mouth disease revaccination campaign using programme vaccines for small and large ruminants.

84. For the first time in the last 10 years, the Government of Iraq notified FAO that aerial spraying against crop diseases and pests would be conducted by Iraqi pilots. The Government rejected the suggestion by FAO to include FAO observers on board during the spraying. FAO brought the matter to the attention of the Committee and in a letter dated 8 May 2001 addressed to the Permanent Representative of Iraq to the United Nations, the Chairman of the Committee drew attention to the earlier authorization by the Committee for FAO to undertake the aerial spraying activities in Iraq on the understanding that all procedures established by the Committee for such operations would be followed as in previous years. In view of the timing of the operation and taking into account the wish of the Government of Iraq, the Committee was "ready to authorize Iraqi pilots to be used, provided FAO observers would be permitted on board each and every such flight during the operation and that all other elements of the established procedures remain intact". At the time of the finalization of the present report, Iraq had not yet responded to the Chairman's letter, even though it was reported that the spraying had already taken place.

85. Based on the results of two surveys, an integrated pest management method was initiated in the plain areas of Erbil to control the infestation of wheat by soft-scale insects. In addition, an integrated package programme for the promotion of industrial tomato growing in three sub-districts was introduced to ensure a steady supply of raw materials for the tomato paste production plant in Harir. Civil work for the Harir fruit-processing plant was completed, 304 farmers signed contracts to supply sunflower to the Arbat oil-processing plant and a dairy product marketing survey was conducted.

86. During the reporting period, 26 gravity irrigation schemes were completed in the three northern governorates. This programme activity benefited 2,926 farmers, irrigating 2,095 hectares of arable land. Sixty deep wells were drilled in drought-affected areas for irrigating orchards and watering livestock. FAO and UNICEF have been setting up sustainable water sources management systems and collecting the hydro-geological information required for them.

87. With respect to training, 11,505 farmers and 766 agricultural staff were trained in 380 regular and 60 specialized courses. In addition, 115 agricultural field days were conducted, involving 5,623 farmers.

88. With respect to animal health, as a precaution, FAO provided one primary dose of foot-and-mouth disease to 83.8 per cent of the cattle. This activity was limited by a shortage of vaccines owing to non-delivery by the contracted suppliers.

Electricity

89. As at 30 April 2001, out of a total of some $2.3 billion in approved applications since the start of the programme, electrical equipment valued at $696 million had arrived in Iraq — of which $233 million worth had arrived during the reporting period. Of the latter, $222 million worth, representing 95.3 per cent, had already been distributed to installation sites in the

centre/south. Owing to the long lead time for the delivery of equipment in this sector, these arrivals represent only 31.3 per cent of the approved equipment and materials received in the country. As an indication of the very slow delivery process for electrical supplies, equipment valued at $0.44 million which had been contracted under phase I, only arrived during the current reporting period.

90. The Government continues to accord very high priority to this sector, with actual contract application levels almost consistently above the distribution plan sectoral allocations. However, despite this and other self-reliant initiatives that have been undertaken, an analysis of the demand in relation to generating capacity in the centre/south indicates that the current deficit of over 50 per cent will continue until more substantial blocks of generating capacity are added to the grid. As estimated by United Nations observers, the generation deficit at peak demand during the summer months in 2001 could be as high as 3,294 megawatts (MW), a substantial increase from the estimated 1,800 MW reported unofficially for the same period in 2000. Rehabilitation and new generation projects added 296 MW to the generating capacity, but this was offset by units removed from service for routine maintenance as well as the decreasing capacities of other operating units owing to deterioration. The generation problem has been compounded by the three-year drought, which reduced hydropower generation to 15 per cent and also affected the performance and reliability of thermal units resulting from a scarcity of cooling water.

91. The United Nations team, in visits to the three thermal power stations at Baiji, Mussaib and Baghdad South, found them to be in critical condition, with corrosion of water treatment equipment, tanks and pipelines causing heavy leakage of chemical fumes in the water treatment plant area. The release from hold of applications for water treatment systems would address this problem. Also, the release from hold of safety and communication equipment will help improve the personal safety of plant workers and enhance the timely implementation of the sector's rehabilitation projects.

92. In addition to generation, about 300 (11/0.4 kilovolt-ampere capacity) distribution transformers were installed, adding 75 megavolt-amperes capacity to the distribution system. These have stabilized the power supply to areas covered and improved the voltage profile, enabling about 20,000 consumers in cities in the centre and south to be connected or reconnected to electricity. In this regard, contracts concerning transmission, distribution and communication equipment necessary for power systems operation urgently need to be released from hold. As at 14 May 2001, a total of 243 electricity sector contract applications was on hold, with a value of $874 million, representing 28.1 per cent of the total value of applications circulated to the Committee.

93. The overall power supply situation in the three northern governorates remains critical. Despite improved rainfall over the past winter season, the three-year drought still severely affects the water level in the reservoirs serving the two hydropower stations, resulting in the continuing low levels of power generation. The total generation from these stations averaged 40 MW during the period under review, with about 10 MW distributed to Erbil and about 30 MW to Sulaymaniyah. Dahuk, which is the only northern governorate connected to the national grid, receives an average of 10 MW. These figures fall short of the respective demands of 250 MW for Erbil, 350 MW for Sulaymaniyah and 100 MW for Dahuk. To meet existing emergency needs in the three northern governorates, a total of an additional 100 MW is being produced by small diesel generators. A major milestone for the programme was the commissioning and handover of the Erbil and Dahuk 29 MW diesel plants to the United Nations Development Programme (UNDP) by the contractor in March and April respectively; the plant in Sulaymaniyah is expected to be handed over in May.

94. Effective implementation of electricity projects in the three northern governorates has been extensively hampered as a result of inordinate delays by the Government of Iraq in the issuance of visas. Since 1 November 2000, 312 visas for UNDP staff have been requested, of which 190 had been granted by 14 May 2001 and a total of 122 were awaiting clearance by the Government. About half of those pending are for staff required to operate and maintain the three 29 MW power plants for six months until local staff have been trained. The number of visas required by the project will have to increase as more contracts are awarded. Inordinate delays in granting the required visas will adversely affect project implementation, resulting in contract or bid cancellations and financial losses to the programme.

95. As indicated in my previous report (S/2001/186, para. 115), discussions have now been held with the local authorities in the three northern governorates, who have reached common understandings on reconnection of the northern governorates to the national grid. The local authorities agreed that reconnection to the national grid is one of the most technically viable and economically cost-effective options to provide the north with a sustained electricity supply. Irrespective of when precisely the peak-load electricity needs of the country can be met, the local authorities agreed that it is worthwhile to proceed with reconnection and that practical steps towards this end would contribute to confidence-building between all concerned and thereby encourage better cooperation and collaboration. They also agreed that these steps were essential for the successful execution of short-term and medium-term emergency electricity generation projects currently under way in the north. In addition, they agreed that reconnection should be complementary to both approved and planned emergency electricity projects, under the humanitarian programme. With respect to the national grid, the local authorities agreed that generation projects could be funded from the ESC (13 per cent) account and integrated into the grid on the condition that they were erected and installed within the three northern governorates and that the Government of Iraq would supply fuel for them. Conditions preceding reconnection would be that the Government of Iraq would provide a solemn assurance that the same level of electricity supply would be provided to the three northern governorates as is available to the other governorates in the centre/south of Iraq and that a uniform rate per unit of electricity consumed would apply throughout the country.

96. The above understandings reached among the local authorities have been brought to the attention of the Government of Iraq, whose response is pending. The United Nations is ready to undertake, under the programme, the necessary transmission work for the reconnection of the three northern governorates to the national grid in collaboration with the Government of Iraq.

Education

97. During the reporting period, $70.8 million worth of supplies were received. However, throughout the education system, shortages of educational materials and equipment, sub-standard institutional resources and pronounced disincentives to the academic cadres continue to inflict greater structural damage than the programme can address. Such steady deterioration of the educational infrastructure is compounded by a rise in the value of applications for contracts on hold, which has almost doubled, from $78 million to $154 million, during the reporting period. It is regrettable, however, that as with the health sector, not a single application has been received under phase IX of the programme.

98. An assessment of 1,208 schools confirmed widespread deterioration of school buildings and facilities, a shortage of school textbooks and insufficient classroom space to accommodate the growing number of pupils. Observers also noted that only 72 per cent of the schools visited had received rehabilitation materials from the programme. Specifically, 79 per cent of the school buildings were assessed as being in sub-standard or critical condition. In addition, 27 per cent of programme rehabilitation materials still had not been installed two years after their distribution. The inability of the school authorities, in the absence of a viable cash component for the sector to fund the cost of the installation/rehabilitation of materials contributes to the paucity of such materials procured. Consequently, increasing multiple shifts continue to be adopted in order to meet the requirements of a growing school population in the midst of unsafe school conditions.

99. Currently, only 15 per cent of textbook requirements are met through local printing facilities; 35 per cent consists of imports from Jordan and the remaining 50 per cent is met by reusing second-hand books. This has led to a situation where students are obliged to use textbooks in various stages of deterioration. Meanwhile, rehabilitation of the Ministry of Education printing press is constrained by the lack of expertise and funds to install spare parts. The printing press still operates at 10 per cent of its original capacity. A UNICEF-sponsored team of experts appraised the printing press and recommended the replacement of some machines and the procurement of spare parts to repairs others. The Ministry of Education accepted the report and has submitted contract applications accordingly.

100. Higher education has also suffered deterioration in terms of infrastructure. Available equipment, particularly science laboratories, is grossly insufficient

for the student population. For example, on-site verification of 19 tractors distributed to agricultural colleges revealed the student-to-tractor ratio of 200 to 1, while none of the supplementary accessories, such as different ploughs for soil preparation, had been provided. In addition, 114 microscopes distributed to the higher institutions covered only 30 per cent of the requirements. Such inadequacies have continued to have a negative effect upon the standard of instruction.

101. With respect to primary education in the three northern governorates, the programme supported the rehabilitation of 14 schools, benefiting 2,235 children. In addition, two new schools, benefiting about 450 children, were constructed. About 254 teachers received various types of training. In secondary and higher education, the United Nations Educational, Scientific and Cultural Organization (UNESCO) concentrated on improving access and participation of students, enhancing the quality of education through professional training and assisting local education authorities in planning, upgrading facilities and providing supplies and equipment. Construction projects included rehabilitation of institutional infrastructure. In addition, two secondary schools and two computer training centres were completed and handed over to the local authorities.

Telecommunications

102. The telecommunications infrastructure in Iraq is outdated and remains in a precarious state despite the inclusion of a telecommunications sector in the distribution plans since phase V of the programme.

103. Of the 180 applications for contracts, of a value of $321.8 million, submitted for the telecommunications sector, only 96 have been approved since the inception of the programme, with a value of $91.5 million. Supplies worth $17.8 million have arrived and $8.6 million worth have been distributed. The slow rate of arrival has been attributable to the long lead time required for the supply of equipment in this sector. In addition to applications previously submitted, 41 applications with a value of $53.8 million were submitted under the sector during the period under review. So far, most applications related to core telecommunication equipment and material, with the exception of one satellite earth station, have been placed on hold since phase V.

104. United Nations observations indicate that there are no spare parts for the maintenance of the network, and the situation is deteriorating at a fast pace. Local and international calls are extremely difficult to make. Only 4 per cent to 11 per cent of the international calls placed are successfully completed. This inoperational telecommunications infrastructure is affecting not only normal activities within the country but also communications related to programme activities, particularly in the health, transport and food handling and oil sectors. Similarly, weather observation and forecasting in the meteorological sub-sector is difficult, with adverse effects on agriculture and the environment.

105. Efforts to address these problems through the programme have unfortunately not yielded any result, owing to holds placed on applications. Holds in the sector include spare parts for crucial equipment required to sustain normal communication services in the country. It is hoped that, following the briefing provided to the Committee by the International Telecommunication Union (ITU) in early May, there would be some relief from the problems in the sector, including release of contract applications from hold.

106. During the reporting period, ITU established a new office in Sulaymaniyah to support its implementation activities in the governorate. ITU projects in the three northern governorates include the replacement of three obsolete telephone exchanges, one each in Erbil, Dahuk and Sulaymaniyah, with an aggregate capacity of 40,000 lines, along with transmission systems required to integrate these exchanges. The tender evaluation report has been completed and the contracting process is under way and will be completed shortly. Additional projects currently being planned will call for a new local network, a GSM mobile network, expansion of existing local lines and an extension of the telecommunication network to the district level. To ensure connectivity and interoperability, all telecommunication projects in the north are being carried out in full consultation with the relevant authorities in Baghdad.

Housing

107. In my previous report, I drew attention to the tremendous increase in the number of applications submitted and approved, which had been introduced in June 2000 (S/2001/186, paras. 135-138). Out of the total value of $1.6 billion of the applications submitted,

$1.4 billion worth had been approved, and $531 million worth of supplies had arrived in Iraq by 14 May 2001. During the period under review, materials with a value of $224 million had arrived and just over $61 million worth had been distributed. It remains a concern, however, that the total value of holds on construction machinery, equipment and spare parts, which are essential for utilizing the building materials for the construction industry, has increased to $139 million. This has resulted in shortages of construction materials such as cement and bricks, which are normally locally produced. With very few factories for construction materials currently operational, the ensuing shortages and subsequent high prices of these products present real bottlenecks to housing construction.

108. In tandem with the increase in allocations and supplies to this sector, the Ministry of Housing and Construction created a Directorate of Housing to oversee the construction of social housing, as outlined under the Special Allocation section of the phase IX distribution plan (S/2001/134). The Directorate is currently studying 240 tenders for the construction of social housing complexes, at 504 units per site, in each of the governorates of Baghdad, Missan, Thiqar and Muthana. These are intended for the low-income earners who cannot afford construction of individual houses.

109. Meanwhile, the Government of Iraq has adopted several other policies to ensure that building materials are more efficiently accessible to the general population. Thus, the distribution of serviced land plots and the provision of low-rate mortgages and prototype architectural designs are measures for providing material and financial support to individuals. The adoption of measures to streamline applications for building under the programme has already helped to expedite this activity. One of these measures is the discontinuation of government inspection of construction sites prior to the approval of building applications, in order to accelerate the number of applications. The number of applications for end-users to obtain building materials almost doubled between November 2000 and April 2001, from 23,875 to 42,486. The distribution of building materials under the programme has been based on proof of intent to construct, which has benefited both private and public end-users. Private builders receive materials according to a quota system, with a maximum plot size of 400 square metres for each applicant. An analysis of data available to United Nations observers indicates that the quantity of housing materials arriving in the country and being distributed to the beneficiaries is generally adequate.

110. While the distribution of construction materials from central to governorate warehouses has remained efficient, the cost of transporting them from the warehouses to construction sites is high, discouraging some qualified private builders from acquiring their quota of building materials. The high transportation costs are related to the weight of these heavy materials and the long distances involved; hence some qualified private builders consider it more cost-effective to procure building materials at nearby markets at slightly higher prices than those for the subsidized programme materials. This matter has been brought to the attention of the Government, which expressed concern that if prices were set too much lower, that would encourage beneficiaries to sell the items or smuggle them to neighbouring countries. Further discussions on the matter will be pursued with the Government with a view to finding satisfactory arrangements to all concerned.

Settlement rehabilitation

111. During the period under review, the United Nations Centre for Human Settlements (Habitat) completed the construction of 47 schools, 2,555 houses, 9 village clinics, 19 kilometres of sewerage, laid down 61 kilometres of water pipe and constructed 178 kilometres of roads. These activities benefited an estimated 35,000 families in 192 villages, including 13,361 families who took advantage of self-build programmes. Revised project management procedures led to a doubling of the agency's work budget from $35 million to $70 million during the reporting period. As mentioned in my previous report (S/2001/186, para. 136), the rate of provision of housing has been inadequate. In response, Habitat has increased the proportion of expenditures devoted to housing from 30 per cent to over 45 per cent. Despite these achievements, however, the programme faced a number of constraints which occasionally halted or slowed down construction activities, including heavy rains and shortages of cement and other building materials. Consequently, Habitat is exploring the feasibility of measures to arrest further deterioration of the Tasluja Cement Factory and options for increasing cement availability through imports.

112. As outlined in my previous report (S/2001/186, para. 135), Habitat is supplementing its initial survey of internally displaced persons with a more comprehensive survey to identify all vulnerable groups in order to widen and improve its programme intervention.

113. In my previous report I informed the Security Council that the United Nations Office for Project Services (UNOPS) had taken over from the United Nations Office of the Humanitarian Coordinator for Iraq the primary logistics activities related to relief of the internally displaced persons, including the responsibility of procuring emergency relief items such as tents, blankets, kerosene heaters, stoves, floor mats and water tanks (S/2001/186, para. 138). The distribution of winter relief items was completed by the end of February 2001, by local non-governmental organizations, on behalf of the United Nations Office of the Humanitarian Coordinator for Iraq. Moreover, the procurement process for summer relief items has been initiated and is expected to be completed by early June 2001. A transit camp near Deralok in the Dahuk Governorate is being upgraded. Overall, the scope of operations established by UNOPS to date has allowed the programme to streamline the procurement cycle, enhance warehouse management of relief items and strengthen the distribution network. Initial feedback from the field indicates that the programme has been able to reach a larger number of beneficiaries in a shorter period of time, thus relieving a major programme constraint.

114. The next step in the programme is the integration of UNOPS plans and activities, at both sectoral and multi-sectoral levels, for improved temporary shelter, as well as for more viable communities at final resettlement sites. In this respect, I had indicated in my previous report that UNOPS would complete an assessment, in April 2001, of the emergency needs of the internally displaced, particularly the most vulnerable groups. Owing to initial delays involving issuance of visas and the recent arrival of the Project Coordinator in April 2001, the nature and scope of the assessment is under review, in consultation with the United Nations Office of the Humanitarian Coordinator for Iraq and Habitat.

Mine action

115. The UNOPS mine action programme has now completed a survey that details the range and scope of the mines and the problem of unexploded ordnance in the three northern governorates. The contamination directly affects 1,098 communities, out of a total of 4,424 communities surveyed. The survey found that in the majority of cases the presence of mines blocked access to agricultural and pastoral land. The mine action programme has worked on 67 minefields and completed the clearance of 12 minefields, which are now used for grazing, farming and construction. To date, 18,572 families in 76 communities have benefited from the programme. The total area cleared since the beginning of the programme is 6.2 square kilometres, of which 1.9 sq. km has been cleared during the current phase. Under the programme, 7,007 pieces of unexploded ordnance have been destroyed in the vicinity of 26 villages inhabited by 11,921 families. The rate of clearance has doubled in the current phase, from an average of 200,000 square metres per month to more than 400,000 square metres, owing to the presence of more experienced teams, better procedures and the availability of more detection dogs.

116. During the period under review, mine victim support included the provision of 829 prostheses and a mine awareness programme benefiting 159 communities. The number of monthly casualties has declined from between a range of 30 to 68 up to September 2000, to a range of 25 to 53 subsequently.

117. Launched in early 2000, the mine action programme survey of 2,251 km of transmission lines was completed in December 2000. In addition, mine clearance supported the repair of secondary power lines, the construction of mini-power-generating stations and transmission substations, work at Habitat resettlement sites and the safety of microwave sites for ITU. However, owing to the inordinate delays in granting of visas to the UNOPS personnel required for the implementation of the programme — 89 visas were pending as at 14 May 2001 — as well as delays in import approvals, initiatives to expand the capacity of the programme and to enhance local capacity have been frustrated. In addition, safety is also being jeopardized by the lack of communications equipment and replacements for worn and/or unserviceable personal protective equipment.

B. Cross-sectoral considerations in the three northern governorates

Programme coordination

118. As indicated in my previous report (S/2001/188, para. 145), the United Nations Office of the Humanitarian Coordinator for Iraq (north), pursuant to a decision taken at the inter-agency level, had initiated action to upgrade planning data and enhance information-sharing within the inter-agency programme in the three northern governorates. A joint humanitarian information centre was established in early January 2001 and has begun surveying the availability of data required to develop a common programme framework. It is also developing a tracking system that will be compatible with the project approach of the inter-agency humanitarian programme, based on clear targets and performance indicators. The absence of entry visas for consultants in multi-sectoral planning, gender relations, agro-economics, and needs assessments for vulnerable groups has delayed, to a considerable extent, the unit's programme of work.

119. The increased scope and scale of the inter-agency humanitarian programme is in many instances placing a heavy strain on local counterpart institutions in health, education, water and sanitation, electricity and agriculture. In some cases, they lack the skills and resources to operate and maintain the equipment or to staff the facilities being provided. In that regard, as title to all goods imported and installed under the programme vests for the time being in the United Nations, agencies and programmes are faced with not only the installation of new projects, infrastructure and equipment, but also with their operation and maintenance. As a result, United Nations agencies and programmes are obligated to bring in international staff not only to install project equipment, but also to ensure the running of this equipment once it is in place. As more of these projects are set to come on line, additional international staff, and with them the issuance of more visas, will be required to install, maintain and train local staff without further depleting the already limited expertise in the local institutions, until local counterparts can be trained and attain the necessary experience.

Drought contingency

120. Additional rainfall, while leading to a partial recovery of rain-fed agriculture, has not been sufficient to restore irrigation or hydroelectric generation to normal levels. The inter-agency drought coordination committee is therefore continuing to conduct surveys and prepare contingency plans, with emphasis on human, animal and agricultural water supply and electricity. With respect to electricity, the total generating capacity will remain far short of requirements until water levels are restored in the Dokan and Derbandikhan reservoirs.

Delays in issuance of visas and clearance imports

121. The considerable number of delays and refusals in the issuance of visas to international staff, consultants and contractors, contrary to the relevant provisions of the Memorandum of Understanding signed between the United Nations Secretariat and the Government of Iraq (S/1996/356), and in particular its section VIII, paragraph 46, has been adversely affecting the implementation of the programme as a whole. While 528 visas had been granted since 1 November 2000, as at 14 May 2001, the total number of visas pending stood at 246, mostly for staff of UNDP (122) and UNOPS (89) in the three northern governorates. United Nations experts, in addition to carrying out the project activities required, have also been training national staff to take over, as soon as possible, the operations concerned. Until such time as there is a sufficient number of qualified national staff available, the programme will require outside expertise. The delays have been undermining the effective implementation of the activities in those sectors, and I appeal to the Government of Iraq to expedite the granting of the visas pursuant to paragraph 46 of the Memorandum of Understanding. The matter has been brought to the attention of the Committee. In a letter dated 7 May 2001 addressed to the Permanent Representative of Iraq to the United Nations, the Chairman of the Committee expressed the concern of the Committee with regard to the situation concerning visas and urged "the Government of Iraq to fulfil its obligations under the Memorandum of Understanding, and to expeditiously address this issue".

122. In April 2001, the Government of Iraq made passage of goods between Zakho and Mosul contingent on prior provision of details on the consignments concerned. This new measure resulted in a build-up, at one point, of several hundred trucks in the Dahuk Governorate. The immediate problem has eased,

following intense consultations between the United Nations Humanitarian Coordinator for Iraq and the Government of Iraq. Iraqi customs authorities, however, have been instructed not to allow the import of any materials without the approval of the Government, effective 1 June 2001. Discussions are continuing with regard to long-term arrangements for the facilitation of import and export of goods under the programme through all entry points. The Security Council will be informed on the outcome of the discussions.

VI. Conclusions and recommendations

123. The present report reflects both the positive achievements in meeting the humanitarian objectives of Security Council resolution 986 (1995) and the constraints and difficulties experienced in the effective implementation of the programme. Over the past four years, the humanitarian programme has contributed not only to arresting the decline in but also to improving the living conditions of the average Iraqi. I should like to reiterate, however, that the achievements of the programme should not lead us into a sense of complacency. The programme can and should be allowed to achieve its humanitarian objectives to the maximum. To this end, it is essential that it have the full cooperation of all parties concerned in order to meet the humanitarian and essential civilian needs of the Iraqi people.

124. In my previous report I had expressed concern that the $5.556 billion required for the implementation of the approved distribution plan for phase IX might not become available, owing to the substantial drop in the oil exports from Iraq under the programme (S/2001/186, para. 157). I very much regret to confirm that, despite the increase in the daily average rate of oil exports under the programme to at least the levels of the previous phase during the last two months, it is now estimated that the total revenue of oil exports under the programme during the current phase (which will end on 3 June 2001) will reach only 6.5 billion euros, or about $5.7 billion, which will provide only about $3.5 billion for the implementation of the programme, after the deductions pursuant to the relevant resolutions of the Security Council.

125. The authorization for Iraq to export unlimited amounts of oil and to import a wider range of goods has transformed the programme's nature and range of activities from providing emergency humanitarian relief to encompassing many aspects of rehabilitation of essential civilian infrastructure. I should like to reiterate the recommendation made in my previous report (S/2001/186, para. 161) that the provisions of paragraph 17 of resolution 1284 (1999) be applied also to the remaining sectors of the distribution plan and that the lists of items already approved (the "green lists"), relating to different sectors, be expanded to include all items, with the exception of those covered under resolution 1051 (1996). Accordingly, I appeal to the Security Council and its Committee further to streamline their current cumbersome approval procedures and allow greater latitude so that a wider variety of medicine, health supplies, foodstuffs, as well as materials and supplies for essential civilian needs can be procured and supplied most expeditiously. Such an approach by the Council would also reduce the excessive number of holds placed on applications.

126. Notwithstanding the range of opinions and discussions on a broader framework for the programme, I appeal to all parties concerned to preserve the distinct humanitarian identity of the programme established under resolution 986 (1995). I am encouraged by the work and achievements of the United Nations observation mechanism to date and am confident that the mechanism can provide the necessary assurances to the Security Council and its Committee that supplies and materials provided under the programme are indeed being utilized for approved purposes.

127. As indicated in the present report, a number of major difficulties continue to be encountered in the effective implementation of the programme, due to the absence of a viable arrangement for local procurement of goods and services and the provision of a cash component. An increasing range of equipment is being imported under the programme, with insufficient local resources available to undertake installation, training and maintenance. This makes such an arrangement more necessary than ever, as it is essential for the efficient use of imported commodities. The absence of arrangements for local procurement, for example, has led to a situation where locally produced agricultural items cannot be purchased under the programme for inclusion in the food basket. In turn, the importation of food items has become a disincentive to local agricultural production. I very much regret that there has been no progress on the arrangements for local

procurement and cash component foreseen in paragraph 24 of resolution 1284 (1999). With this in mind, I appeal to the Government of Iraq to work with the United Nations in developing the necessary and viable working arrangements for local procurement and a cash component, which will ultimately serve to stimulate local production.

128. I am pleased to inform the Security Council that a team of experts visited Iraq from 18 March to 1 April 2001, pursuant to paragraph 15 of resolution 1330 (2000), to discuss arrangements for the utilization of up to 600 million euros from the deposited funds in the escrow account established by resolution 986 (1995). Subject to the Council's approval of the proposed arrangements, these funds will be used for the cost of installation and maintenance, including training services, of the equipment and spare parts funded under the programme for the oil industry. The team of experts is about to finalize its report and, pursuant to paragraph 15 of resolution 1330 (2000), I will submit my recommendations thereon to the Council. I should like to express the hope that, once the arrangements proposed are approved by the Council, similar modalities could be extended to support activities in other sectors.

129. With the increased funding level and the growing magnitude and scope of the programme, the whole tedious and time-consuming process of the preparation and approval of the distribution plan and its annexes are no longer in step with current realities. It may be recalled that the distribution plan for the present phase was submitted by the Government of Iraq almost two months into the current phase. It should be borne in mind that soon after the approval of a distribution plan, thousands of amendments are submitted throughout the course of a given phase and thereafter. Accordingly, I have directed the Executive Director of the Iraq Programme to continue discussions with the Government of Iraq with a view to devising a more appropriate and flexible planning process that would meet the requirements of the expanded programme.

130. Current contract applications and processing procedures were put in place at a time when the overall focus and magnitude of the humanitarian programme were considerably smaller. Now that the programme has grown in size and complexity, many more contracts, in almost all sectors, involve large-scale technical equipment. For such contracts, current procedures involve the submission of additional technical information before processing and approval can occur. Omissions can delay the process by weeks, and at times by months. In addition, current procedures, from the time of authentication of goods to the payment to a supplier, can take from six to eight weeks. I have therefore requested the Executive Director of the Iraq Programme further to review and streamline all relevant procedures and make recommendations thereon to the Committee.

131. I should like to express the hope that the revised and updated lists of items and technology to which the import-export mechanism approved by resolution 1051 (1996) apply, to be submitted pursuant to paragraph 19 of resolution 1330 (2000) by the Executive Chairman of UNMOVIC and the Director-General of IAEA, will lead to a reduction in the number of disagreements between the Secretariat experts and members of the Security Council Committee on the status of applications submitted under the humanitarian programme. A better-defined list of items to be submitted under the mechanism approved by resolution 1051 (1996) would also reduce the number of holds placed on applications. Even for "dual use" items or items on the resolution 1051 (1996) list, I should like to appeal to the Security Council Committee to have confidence in the United Nations observation mechanism and to approve and/or release applications on hold, if necessary on the condition of "end-use" observations and reports thereon to the Committee. The United Nations observation system is now capable of tracking the "end-use" of items throughout the country and providing the Committee with regular reports and information on such items, as required. I also would like to appeal to the Government of Iraq to fully cooperate in this undertaking.

132. It is essential for the Government of Iraq to prioritize its contracting, giving particular attention to the food, health and nutrition sectors. Furthermore, with the size of revenues available to the programme, shortfalls in distribution of food basket items and essential medicines can no longer be justified. I am therefore instructing the Executive Director, in full consultation with the United Nations Humanitarian Coordinator for Iraq, the United Nations agencies and the programmes concerned, to provide me with an assessment in time for my next report to the Security Council, including a list of essential medicines in short supply and measures required to resolve this problem without further delay.

133. It is also essential to address urgently the problems arising from inordinate delays in submissions of applications and from the submission of non-compliant applications. It is unfortunate that while the Secretariat has notified the Government of Iraq of its concern over delays in the submission of contracts, feedback from the Government showed that in many cases contracts have been signed but suppliers have yet to submit them. With only about three weeks left to the end of the present phase, on 3 June 2001, the total value of applications received, as at 14 May 2001, was $1.8 billion, including $1.2 billion for items for the food basket. Not a single application under the health, water and sanitation, education and oil sectors has been received. I therefore appeal to the Government of Iraq to insist that its suppliers submit applications in a timely fashion. I should also like to reiterate my appeal to the Government of Iraq to provide information to the Office of the Iraq Programme and the United Nations Office of the Humanitarian Coordinator for Iraq on contracts signed, even before the applications concerned are submitted by the suppliers to the Office of the Iraq Programme. Such advance information would definitely expedite processing of the applications received. In this context, I should also like to recommend to the Government of Iraq that the Central Bank of Iraq take all necessary measures to expedite the processing of the outstanding $1.151 billion worth of unopened letters of credit for already approved applications.

134. I wish to express my deep concern over the current visa situation and the negative impact that the interruption in essential activities is having on the humanitarian situation in the three northern governorates. In this regard, I reiterate my call upon the Government of Iraq to issue the required visas to United Nations officials, experts and other personnel performing contractual services for the United Nations in Iraq, in conformity with the letter and spirit of the relevant provisions of the memorandum of understanding, paragraph 46 of which stipulates that these staff shall have the right of unimpeded entry into and exit from Iraq and shall be issued visas by the Iraqi authorities promptly and free of charge. In this regard, it should be noted that, as title for all ESC (13 per cent) account properties remain, for the time being, with the United Nations, the Organization finds itself responsible not only for the building and installing of infrastructure and equipment, but also for its operation and maintenance and for the training of national staff. With the expansion of the programme activities, in order to fulfil the responsibilities entrusted to it by the Security Council, the United Nations will require an increasing number of international staff.

135. I have repeatedly expressed my deepest concern over the safety and security of United Nations personnel working around the world, an increasing number of whom have lately made the ultimate sacrifice in the line of duty while carrying out humanitarian and peacekeeping missions. I have been following very closely the criminal court proceedings in Baghdad concerning the tragic event that took place in June 2000 within the premises of the FAO office in Baghdad, in which two staff members were killed and eight persons were injured, including four United Nations staff members. I wish to inform the Security Council that, on 14 May 2001, the criminal court postponed, yet again, for the seventh time, its proceedings in the trial of the accused, to 28 May. I will keep the Council informed of the proceedings of the court, which, I do hope, will be concluded expeditiously.

136. In conclusion, I should like to stress that it is incumbent on all parties concerned to take concerted measures to ensure the effective implementation of the humanitarian programme in order to alleviate the plight of the Iraqi people, and to refrain from any actions that could exacerbate the already fragile living conditions of the average Iraqi.

Annex I

Allocation of total oil revenue among the various funds and corresponding expenditures, as at 30 April 2001

1. As at 30 April 2001, 3,253.8 million euros had been deposited into the account for phase IX as authorized under Security Council resolution 1330 (2000), bringing the total value of oil sales since inception to US$ 37,333.9 million and 4,833.4 million euros.

2. The allocation of total oil proceeds received from inception to date and the corresponding expenditures as at 30 April 2001 are as follows:

(a) $19,488.4 million and 2,719.3 million euros have been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). In addition, $892.3 million and 9.5 million euros of interest earned in these accounts were available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by the Banque Nationale de Paris on behalf of the United Nations amounted to approximately $19,538 million for humanitarian supplies and oil industry spare parts for Iraq and payments amounted to $11,431.6 million under phases I to IX;

(b) The sum of $5,259.4 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of Council resolution 986 (1995) and as revised by paragraph 2 of Council resolution 1153 (1998). Expenditures recorded for humanitarian goods approved by the Committee amounted to $3,192.2 million;

(c) The sum of $12,343.7 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of Council resolution 986 (1995). As at 30 April 2001, a total of $224.9 million had been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2001, and an amount of $10,737.8 million had been allotted for payment of various instalments of "A", "C", "D", "E" and "F" claims;

(d) The sum of $844.1 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for and the administrative costs of all United Nations entities involved in implementing the resolution amounted to $477.1 million;

(e) The sum of $303.8 million has been allocated for operating expenses of the United Nations Special Commission for the Disarmament of Iraq and its successor the United Nations Monitoring, Verification and Inspection Commission, established by Council resolution 1284 (1999), as specified in paragraph 8 (e) of Council resolution 986 (1995). Expenditures for the Commission amounted to $90 million;

(f) The sum of $870 million has been set aside for the cost of transporting petroleum and petroleum products originating in Iraq and exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of Council

resolution 986 (1995) and in line with procedures adopted by the Committee. Of that amount, $796 million has been paid to the Government of Turkey;

(g) The sum of $129.5 million has been transferred directly to the escrow account established pursuant to Council resolutions 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995) and subsequently in paragraph 34 of my report number dated 1 February 1996 (S/1996/978). The total repayments made amounted to $129.5 million.

Annex II

Oil proceeds and humanitarian supply letters of credit, as at 30 April 2001

Oil proceeds

(United States dollars)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit from oil sales (United States dollars)*
I	27 June 1997	123	2 149 806 395.09
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII	10 July 2000	353	8 301 861 931.46
VIII	5 December 2000	307	8 296 257 148.06
Total		**2 064**	**37 333 886 478.06**

Oil proceeds

(Euros)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit from oil sales (euros)*
VIII	29 December 2000	61	1 579 611 932.15
IX	As at 30 April 2001	103	3 253 792 480.77
Total		**164**	**4 833 404 412.92**

Humanitarian supply letters of credit for ESB (53 per cent) account and bulk procurement

Phase	*Number of letters of credit opened*	*Value of letters of credit opened (United States dollars)*	*Bank payments made on delivery (United States dollars)*
I	870	1 229 078 786.79	1 208 736 287.84
II	538	1 193 975 676.69	1 179 368 956.19
III	672	1 210 934 759.07	1 179 286 982.40
IV Humanitarian supplies	705	1 590 269 155.50	1 499 326 774.44
IV Oil spare parts	478	273 895 216.48	233 854 560.35
V Humanitarian supplies	1 042	1 852 950 412.77	1 540 910 809.06
V Oil spare parts	518	284 560 522.98	182 672 049.04
VI Humanitarian supplies	1 548	3 140 045 912.02	1 728 916 012.33
VI Oil spare parts	850	458 174 771.92	193 639 265.03
VII Humanitarian supplies	2 047	3 714 692 767.06	1 704 334 061.27
VII Oil spare parts	651	344 436 076.10	58 526 895.12
VIII Humanitarian supplies	1 194	3 755 741 720.89	722 017 728.03
VIII Oil spare parts	56	31 576 414.56	-
IX Humanitarian supplies	30	458 186 022.09	-
Total	**11 199**	**19 538 518 214.92**	**11 431 590 381.10**

Annex III

Sectoral observation table for the period 1 November 2000-30 April 2001

Sector	*Type of observation*			
	Tracking	*Assessment*	*End-use/User*	*Total*
Food	95 237	15	0	95 252
Transport and food handling	240	20	13	273
Health	1 491	14	382	1 887
Nutrition	1 810	813	-	2 623
Water and sanitation	1 891	228	832	2 951
Agriculture	1 165	689	166	2 020
Electricity	261	3	37	301
Telecommunications[a]	3	2	1	6
Education	510	1 411	4	1 925
Housing	197	4 870	0	5 067
Total	**102 720**	**7 959**	**1 434**	**112 113**

[a] With the arrival of equipment provided under the humanitarian programme, the Telecommunications Sectoral Working Group resumed observation activities on 26 April 2001.